



**California Public Employees' Retirement System**  
**Board of Administration**  
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November 15, 2011

The Honorable Jerry Brown,  
Governor of California  
And  
Honorable Members of the California Legislature

On behalf of the California Public Employees' Retirement System's (CalPERS) Board of Administration (Board), I am pleased to forward the audited Basic Financial Statements for the fiscal year ended June 30, 2011, as required by Government Code Section 20228.

The Basic Financial Statements received an unqualified opinion from the auditors. This opinion read in part:

*"In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the fiduciary funds and the net assets of proprietary funds of the California Public Employees' Retirement System as of June 30, 2011, and the changes in fiduciary net assets of the fiduciary funds and the changes in net assets and cash flows of the proprietary funds for the year then ended in conformity with the accounting principles generally accepted in the United States of America."*

The Board has again noted the lack of adequate funding of the Judges Retirement Fund (JRF), and requests your review of Note 5, JRF. Actual contributions made by the State to the JRF were significantly less than the actuarially determined annual required contribution. Because of the significance of the issue, the auditors included an explanatory paragraph in their opinion to emphasize the situation which reads:

*"As discussed in Note 5 to the financial statements, actual contributions made by the State of California to the Judges' Retirement Fund were significantly less than the actuarially determined annual required contribution. State of California contributions were used to fund benefit payments of the current period. As such, the Judges' Retirement Fund does not retain the accumulated contributions of active members. Management and legal counsel believe the State of California is legally required to provide contributions to fund benefits when due."*

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California courts have held that members of a public pension plan have a contractual right to an actuarially-sound plan. The Board continues to be very concerned over the lack of adequate funding for the JRF. This inadequacy could threaten the financial security of the benefits promised under the JRF. Also, under the pay-as-you-go basis, the opportunity to significantly reduce the State's overall cost of funding the plan through investment earnings is eliminated. The Board is very interested in working with all interested parties to correct this situation.

If you or your staff have any questions or are interested in obtaining additional information on this matter, please contact Anne Stausboll, Chief Executive Officer at (916) 795-3825, or at the address noted above.

Respectfully,

ROB FECKNER, President  
Board of Administration

Enclosure

cc: Anne Stausboll, Chief Executive Officer